Supreme Court, U.S.
FILED
JUN 29 1998
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No. 97-1130

In the Supreme Court of the United States

OCTOBER TERM, 1998

WAYNE K. PFAFF, PETITIONER

v.

WELLS ELECTRONICS, INC.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE SUPPORTING RESPONDENT

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36 pp

QUESTION PRESENTED

Whether a patent is valid if the invention disclosed in the patent had been offered for sale for commercial purposes, but had not been "reduced to practice," more than one year before the date of the patent application.

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INTEREST OF THE UNITED STATES

This case presents a fundamental question respecting the patentability of inventions. That question is important to the United States because the Constitution entrusts Congress with the power to determine the availability and scope of patent rights. See U.S. Const. Art. I, § 8, Cl. 8. Congress has charged the Patent and Trademark Office (PTO) with responsibility to examine all patent applications to ensure that they satisfy the statutory conditions for patentability. See 35 U.S.C. 131. More generally, the United States has an interest in preserving the balance that Congress has struck among the competing policy interests that underlie the patent system. Those interests include creating incentives for innovation, disseminating useful knowledge, and preserving competition.

STATEMENT

Petitioner Wayne K. Pfaff sued respondent Wells Electronics, Inc., for infringement of his patent. The United States District Court for the Northern District of Texas adopted the report of a special master and ruled, among other things, that the patent contained valid claims and that Wells had infringed them. Pet. App. 21a-22a. The court of appeals reversed. *Id.* at 1a-20a. The court of appeals concluded, in relevant part, that petitioner's patent was invalid under Section 102(b) of the Patent Act, 35 U.S.C. 102(b), because petitioner did not apply for his patent until more than one year after he had placed his invention "on sale." Pet. App. 2a.

1. The Patent Clause of the Constitution empowers Congress "[t]o promote the Progress of Science and useful Arts by securing *for limited Times* to * * * Inventors the exclusive Right to their * * * Discoveries." U.S. Const. Art. 1, § 8, Cl. 8 (emphasis added). Congress has implemented that Patent Clause through statutory enactments, commonly known as the Patent Acts, that have set out the conditions for obtaining a patent. See, *e.g.*, Patent Act of 1790, ch. 7, 1 Stat. 109; Patent Act of 1793, ch. 11, 1 Stat. 318; Patent Act of 1836, ch. 357, 5 Stat. 117; Patent Act of 1839, ch. 88, 5 Stat. 353; Patent Act of 1870, ch. 230, 16 Stat. 198; Patent Act of 1939, ch. 451, 53 Stat. 1212; Patent Act of 1952, ch. 950, 66 Stat. 792.

The Patent Act of 1952, as amended, provides the currently controlling law governing the issuance of patents. See 35 U.S.C. 100 *et seq.* Sections 101 through 103 set out the basic requirements to qualify for a patent. As this Court has explained, those Sections indicate that "patentability is dependent upon three explicit conditions: novelty and utility as

articulated in § 101 and § 102, and non-obviousness * * *, as set out in § 103." See *Graham* v. *John Deere Co.*, 383 U.S. 1, 12 (1966); *United States* v. *Adams*, 383 U.S. 39, 48 (1966). See generally *Bonito Boats, Inc.* v. *Thunder Craft Boats, Inc.*, 489 U.S. 141, 146-151 (1989).

Section 101 provides the basic test for patentability. It states that an inventor may obtain a patent for "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof." 35 U.S.C. 101. Section 102 amplifies on the limitations that arise from the novelty requirement. Section 102(a) provides, for example, that an applicant is not entitled to a patent if "the invention was known or used by others in this country * * * before the invention thereof by the applicant for patent." 35 U.S.C. 102(a). Section 102(b) further states that an applicant is not entitled to a patent if "the invention was * * * in public use or on sale in this country, more than one year prior to the date of the application for patent." 35 U.S.C. 102(b).

Section 103 of the Patent Act articulates the additional requirement, added explicitly in 1952, that the subject matter of the invention must be "non-obvious." 35 U.S.C. 103. Section 103 specifically states that a patent may not be obtained, even though the invention is not identically disclosed or described under Section 102, if the differences between the subject matter and the prior art "are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art." 35 U.S.C. 103. In other words, "Patentability is to depend, in addition to novelty and utility, upon the 'non-obvious' nature of the 'subject matter sought to be patented' to a person having ordi-

nary skill in the pertinent art." *Graham*, 383 U.S. at 14.

The Patent Act also addresses the question of how to determine who is entitled to a patent among competing inventors who each claim to have created the same invention. Section 102(g) states the general rule: "In determining the priority of invention there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other." 35 U.S.C. 102(g). See 3 D. Chisum, *Chisum on Patents* § 10.01, at 10-9 (1998).

2. Petitioner, an inventor who owns a company called Plastronics, Inc., developed and patented a device for mounting and removing semiconductor components. Petitioner began development of his device in November 1980, in response to a request from Texas Instruments Corporation (TI) that he create a housing, or socket, for mounting and removing "leadless chip carriers." Leadless chip carriers are used in computer applications to interconnect semiconductor components, or "chips," in a way that provides a maximum number of interconnections in a minimum amount of space on the circuit board. See Pet. App. 2a-4a, 26a-29a, 177a-179a, 199a-200a. TI sought a socket that would provide a means for rapidly mounting and removing leadless chip carriers from the circuit board for testing and other purposes. See *id.* at 4a, 180a-181a, 200a-201a.

Petitioner met with TI and sketched his concept of a socket for leadless chip carriers. Pet. App. 4a, 121a. He later provided TI with detailed engineering drawings, which he also sent to a company called Weis-Aug, which could provide customized tooling and pro-

duction of such devices. *Id.* at 4a, 121a-122a. On April 8, 1981, TI's representative, the Delta V Company, sent Plastronics a written purchase order, confirming TI's earlier oral order, for 30,100 sockets. *Ibid.*; J.A. 60. Petitioner subcontracted the production to Weis-Aug, which manufactured the sockets and supplied them to petitioner in July 1981. Pet. App. 4a, 122a. Petitioner subjected some of the sockets to a mechanical stress test, concluded that they performed satisfactorily, and shipped them to TI, which accepted the shipment. *Id.* at 4a, 122a-123a.

3. Petitioner applied for a patent on the socket on April 19, 1982, more than one year after he received TI's purchase order and subcontracted with Weis-Aug for manufacture of the sockets. Pet. App. 4a. The PTO examined petitioner's application and awarded petitioner a patent. See *Id.* at 172a-198a. He thereafter discovered that Wells had produced and marketed a similar device, and he brought his first suit for patent infringement against Wells. A district court ruled that petitioner's patent was valid, but held that Wells' device did not infringe the patent. *Id.* at 198a-227a. The court of appeals affirmed the finding of non-infringement and, in accordance with its practice at that time, vacated the district court's finding of patent validity as moot. *Id.* at 229a (Table). See *Cardinal Chem. Co.* v. *Morton Int'l, Inc.*, 508 U.S. 83 (1993) (holding that the routine use of that practice is an abuse of discretion).

Petitioner brought this second infringement action after he later learned that Wells was selling a modified version of its device. J.A. 5, 44. The district court ruled on a motion for summary judgment that the device did not infringe petitioner's patent, but the court of appeals reversed and remanded for further proceedings, holding that the court had improperly

resolved a disputed issue of material fact. Pet. App. 155a-169a. On remand, the district court referred the case to a master for a non-jury trial. The master prepared an extensive report recommending that the district court find, in relevant part, that petitioner's patent is valid and that Wells had infringed certain of the patent claims. *Id.* at 23a-154a. The district court adopted the master's report and recommended findings of fact and conclusions of law, *id.* at 21a-22a, including his recommendation that the invention was not "on sale" more than one year before petitioner applied for his patent, 35 U.S.C. 102(b), because "[t]here was no reduction to practice of the invention prior to the critical date," Pet. App. 123a; see *id.* at 123a-126a.

The court of appeals reversed. Pet. App. 1a-20a. That court rejected the district court's holding that petitioner's invention was not "on sale" within the meaning of Section 102(b). Noting that the sale admittedly was "purely commercial, with no experimentation or additional development involved," *id.* at 7a, the court of appeals ruled that "reduction to practice is not necessarily a prerequisite to application of the on-sale bar," *id.* at 8a. It concluded that "the appropriate question is whether the invention was substantially complete at the time of the sale such that there was 'reason to expect that it would work for its intended purpose upon completion.'" *Id.* at 9a. The court found that test satisfied here because the "substantially completed socket had entered the production phase prior to the critical date and a specific purchase order was being filled." *Id.* at 10a; see also *id.* at 13a. The court of appeals also rejected petitioner's arguments that Wells had infringed certain claims in the patent that reflected post-sale changes to the invention. *Id.* at 13a-20a. The court concluded that those claims "would have been obvious in light of

the prior art and the socket that was on sale." *Id.* at 20a.

SUMMARY OF ARGUMENT

Section 102(b) of the Patent Act states that an inventor who places an invention "on sale" must apply for a patent within one year or lose the right to receive a patent. 35 U.S.C. 102(b). The Federal Circuit correctly ruled that Section 102(b)'s on-sale bar applies without regard to whether the inventor had actually reduced his invention to practice—viz., had constructed the invention and demonstrated that it would work for its intended purpose—at the time of the offer of a commercial sale.

The express terms of Section 102(b) indicate that the on-sale bar applies if the inventor makes a commercial offer to sell an invention and then applies for a patent that claims the same invention more than one year after placing it on sale. Section 102(b) makes no reference whatsoever to "reduction to practice." Although petitioner suggests that reduction to practice is implicit in the Patent Act's use of the term "invention," the Act's definition of that word indicates that it should be construed in light of its ordinary meaning "unless the context otherwise indicates." 35 U.S.C. 100(a).

The statutory context here does not require, or even suggest, petitioner's proposed construction. To the contrary, Sections 101 through 103 manifest Congress's understanding that an inventor can make an "invention" and apply for a patent without actually reducing the invention to practice. Indeed, Section 102(g) indicates that the term "reduction to practice" is a part of the test for determining priority among inventors and is not a part of the definition of invention; Section 102(g) unambiguously expresses the un-

derstanding that one "invention" could be "made," but not "reduced to practice," before a second "invention" is "made" and "reduced to practice." 35 U.S.C. 102(g). Congress revealed that same understanding in a variety of other statutes addressing the federal government's rights to patent "inventions" that are "made" in the course of government employment, assistance, or cooperative agreements. See, *e.g.*, Federal Technology Transfer Act of 1986, 15 U.S.C. 3703(9) and (10).

Petitioner's proposed construction is also inconsistent with Section 102(b)'s specific usage of the term "invention" and the policies underlying the on-sale bar. Section 102(b) uses the term invention in contexts in which it is clear that there is no need for the inventor to create a physical embodiment. For example, an invention need not be physically constructed to be "patented," "described in a printed publication" or—as in this case—placed "on sale." 35 U.S.C. 102(b). Furthermore, imposing a requirement of "reduction to practice" would defeat Section 102(b)'s primary statutory objective by allowing an inventor to exploit the commercial value of the invention while deferring the beginning of the statutory term of the patent. Petitioner's proposed test would also fail to provide a clear date from which the public, the PTO, and the courts could measure the commencement of Section 102(b)'s one-year grace period.

Petitioner is mistaken in suggesting that his proposed construction is supported by the Patent Act's legislative history and judicial precedent. The legislative history of the Patent Act is silent on the specific question of whether the term "invention" connotes actual reduction to practice, and this Court has never squarely addressed the question. Until the Federal Circuit's decision in *UMC Electronics Co.* v. *United States*, 816 F.2d 647, 652 (Fed. Cir. 1987), cert. denied, 484 U.S. 1025 (1988), the lower courts had not reached a consensus on whether Section 102(b)'s on-sale bar required actual reduction to practice. In the intervening years, the Federal Circuit, which has nationwide jurisdiction over patent cases, has consistently held that reduction to practice is not required for the bar to apply.

When, as in this case, it is undisputed that the inventor has offered his invention for commercial sale, Section 102(b)'s on-sale bar can be applied by simply examining whether the offer embodies the invention for which a patent is later sought. If the invention claimed in the patent application is the same invention that was offered for sale, or an obvious variation thereof, then the inventor is not entitled to a patent unless he submits his application within one year of the date on which the invention was placed "on sale." That test satisfies the language and statutory objectives of Section 102(b), and it provides a workable rule for inventors, competitors, the PTO, and the courts.

ARGUMENT

SECTION 102(b) OF THE PATENT ACT LIMITS THE PATENTABILITY OF A PREVIOUSLY SOLD INVENTION WITHOUT REGARD TO WHETHER THE INVENTION HAD BEEN REDUCED TO PRACTICE AT THE TIME THE INVENTION WAS PLACED ON SALE

A. Section 102(b) Does Not Require An Inquiry Into Whether The Invention Had Been Actually Reduced To Practice At The Time It Was Placed On Sale

Section 102 of the Patent Act sets out conditions on the issuance of a patent that are designed to ensure that the invention identified in the patent application

is sufficiently novel to justify the award. Section 102(b) states the condition of particular pertinence here: A person is not entitled to a patent if

> the invention was patented or described in a printed publication in this or a foreign country or in public use or *on sale* in this country, more than one year prior to the date of the application for patent in the United States.

35 U.S.C. 102(b) (emphasis added). Section 102(b)'s "on-sale" bar prevents an inventor who has placed his invention in commerce from obtaining a patent unless the inventor applies for a patent within one year of the sale. That provision implements Congress's long-standing policy judgment that inventors should not be allowed to exploit the commercial value of their inventions while postponing indefinitely the beginning of the patent's grant of a temporally limited monopoly. See, *e.g.*, *Bonito Boats, Inc.* v. *Thunder Craft Boats, Inc.*, 489 U.S. 141, 148-149 (1989); *Andrews* v. *Hovey*, 123 U.S. 267, 274 (1887); *Pennock* v. *Dialogue*, 27 U.S. (2 Pet.) 1, 23-24 (1829); Pet. App. 7a; *Ferag AG* v. *Quipp, Inc.*, 45 F.3d 1562, 1566 (Fed. Cir.), cert. denied, 516 U.S. 816 (1995); *UMC Electronics Co.* v. *United States*, 816 F.2d 647, 652 (Fed. Cir. 1987), cert. denied, 484 U.S. 1025 (1988); *Metallizing Eng'g Co.* v. *Kenyon Bearing & Auto Parts Co.*, 153 F.2d 516, 519-520 (2d Cir.) (L. Hand, J.), cert. denied, 328 U.S. 840 (1946).

By its plain terms, Section 102(b) lends itself to a relatively simple and predictable bright-line rule: "if the sale or offer in question embodies the invention for which a patent is later sought, a sale or offer to sell that is primarily for commercial purposes and that occurs more than one year before the application renders the invention unpatentable." *Seal-Flex, Inc.* v. *Athletic Track and Court Constr.*, 98 F.3d 1318, 1325 (Fed. Cir. 1996) (Bryson, J., concurring in part and concurring in the result). See also *UMC Electronics Co.*, 816 F.2d at 655-656 (describing how Section 102(b) operates "in conjunction with the obviousness determination under section 103").

The question presented under Section 102(b) in this case is whether the socket that petitioner ultimately claimed in his application is the same as, or obvious in light of, the socket petitioner sold to TI. Because the sockets are the same, or differ only in respects that would have been obvious under Section 103 of the Patent Act, 35 U.S.C. 103, the on-sale bar should apply. See Pet. App. 13a, 20a.

B. The Patent Act Does Not Define "Invention" To Require Actual Reduction To Practice

Petitioner contends that Section 102(b)'s on-sale bar should not apply in this case because the bar applies to the sale of an "invention." Pet. Br. 11-12. According to petitioner, the Patent Act uses the word "invention" as a term of art that implicitly incorporates "reduction to practice" as a necessary part of the definition. *Id.* at 12. Petitioner argues—contrary to common usage and understanding—that he had not placed his invention "on sale" at the time that he accepted Delta V's purchase order because he had not yet embodied the invention in a physical form. *Id.* at 35-37.

The Patent Act does not support petitioner's counter-intuitive interpretation. The logical starting place is Section 100 of the Act, which defines relevant statutory terms. Section 100(a) states that, "unless the context otherwise indicates, * * * [t]he term 'invention' means invention or discovery." 35 U.S.C. 100(a). That statutory definition suggests that the

word "invention," in the normal course, should be understood in light of its familiar, non-technical meaning, which does not necessarily connote a reduction to practice. See *United States* v. *Bestfoods*, No. 97-454 (June 8, 1998), slip op. 13 (indicating that, when Congress defines a statutory term tautologically, the term should be understood to convey its "ordinary or natural meaning"); see also *Bailey* v. *United States*, 516 U.S. 137, 145 (1995).

Construing the term "invention" in light of its ordinary meaning is particularly appropriate in light of the structure of Section 100. Section 100(a)'s basic definition of "invention" coincides with that of authoritative English dictionaries, which typically define "invention" as the

> [a]ct of inventing, or discovering through study, experiment, etc.; a devising or contriving, esp. of that which has not before existed; as, the *invention* of gunpowder.

Webster's New International Dictionary 1305 (2d ed. 1958). Accord *Webster's New International Dictionary* 1136 (1st ed. 1917). At the same time, Section 100's qualification that the statutory definitions apply "unless the context otherwise indicates," preserves the possibility that the term "invention" might be construed in a more technical sense if the statutory context so requires. 35 U.S.C. 100.

Petitioner's construction, by contrast, cannot be reconciled with Section 100's reference to terms of common usage or its provision for departure from that usage where "the context otherwise indicates." 35 U.S.C. 100. Neither the term "invention" nor its statutory synonym "discovery" necessarily connotes the technical patent law concept of "actual reduction to practice," which generally requires that the invention be embodied in a physical form. See *Corona Cord Tire Co.* v. *Dovan Chemical Corp.*, 276 U.S. 358, 383 (1928); 3 D. Chisum, *Chisum on Patents* § 10.06, at 10-156; cf. *id.* § 10.05, at 10-142 to 10-155 (describing the concept of "constructive reduction to practice" through the filing of a patent application). If Congress had intended its definition to encompass that specialized concept in every case, it presumably would have said so. Congress's decision to define "invention" by words of common usage and then allow departures from that definition indicates that the term "invention" should not be construed to require actual reduction to practice unless the specific statutory context mandates that construction.

C. The Patent Act and Related Federal Statutes Indicate That An Inventor Can Make An "Invention" Without First Reducing It To Practice

The core provisions of the Patent Act, as well as other federal statutes respecting patent rights, indicate that petitioner is wrong in contending that the statutory term "invention" necessarily connotes an actual reduction to practice. To the contrary, the patent laws demonstrate Congress's understanding that an inventor can make an invention and obtain a patent for that invention, without reducing it to a physical form.

The core provisions of the Patent Act governing patentability—Sections 101 through 103—indicate that an inventor can make an "invention" without taking the step of actually reducing it to practice. For example, Section 101 states:

> Whoever *invents* or *discovers* any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement

thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

35 U.S.C. 101 (emphasis added). Section 101 employs the terms "invents" and "discovers" as they are generally understood in common usage. Neither Section 101 nor Sections 102 and 103 require that a person who makes an "invention"—whether it takes the form of a "process, machine, manufacture, or composition of matter"—must actually reduce it to practice before that person may apply for or receive a patent.

To the contrary, this Court has indicated that patentability is dependent on the "three explicit conditions" set out in Sections 101 through 103: usefulness, novelty, and non-obviousness. *Graham* v. *John Deere Co.*, 383 U.S. 1, 12 (1966). The PTO has consistently followed the practice of issuing patents for inventions that satisfy those conditions, provided that the invention is described sufficiently in the application to satisfy the written description requirement and to enable a skilled artisan to practice the invention. See 35 U.S.C. 111-115 (describing required contents of a patent application); 35 U.S.C. 131, 151 (describing process of examination and issuance). An applicant may commonly be able to demonstrate reduction to practice at the time of application, but that demonstration is not necessary to obtain a patent. See, *e.g.*, *T.H. Symington Co.* v. *National Malleable Castings Co.*, 250 U.S. 383, 386 (1919); *The Telephone Cases*, 126 U.S. 1, 535-536 (1888); *Loom Co.* v. *Higgins*, 105 U.S. 580 (1881).

Sections 100 through 103 make only a single reference to "reduction to practice." Section 102(g) indicates that "reduction to practice" is a relevant criterion for determining priority among inventors if they assert competing rights to a patent for the same in-

vention. In that situation, the determination of which inventor had first actually reduced an invention to practice, and thereby made the invention available for public use, should have a bearing on which inventor is entitled to a patent. See 35 U.S.C. 102(g); 3 D. Chisum, *supra*, § 10.03[1], at 10-26; see generally *id.* at 10-26 to 10-27 (quoting *Laas* v. *Scott*, 161 F. 122, 126 (E.D. Wis. 1908)). Section 102(g) thus indicates that the concept of reduction to practice is part of the test for determining priority among inventors, and it is not part of the definition of the term "invention." See, *e.g.*, *Marconi Wireless Tel. Co.* v. *United States*, 320 U.S. 1, 34-35 (1943). Indeed, Section 102(g) plainly contemplates that one "invention" could be "made," but not "reduced to practice," before a second "invention" is "made" and "reduced to practice." See 35 U.S.C. 102(g).

Petitioner's assertion that the term "invention" necessarily connotes actual reduction to practice is not only inconsistent with the core provisions of the Patent Act, but it is also contrary to other federal statutes that describe, in various contexts, the federal government's rights to patent "inventions" that are "made" in the course of government employment, assistance, or cooperative agreements. Those statutes further demonstrate Congress's consistent understanding that its use of the term "invention" does not necessarily connote actual reduction to practice and that an inventor may make an "invention" without first reducing it to practice.

For example, the Federal Technology Transfer Act of 1986 (FTTA), 15 U.S.C. 3701 *et seq.*, encourages domestic research and development efforts that may lead to patentable inventions and prescribes standards for division of patent royalties. The FTTA defines the term "[i]nvention" synonymously with the Patent

Act to include "any invention or discovery which is or may be patentable or otherwise protected under title 35." 15 U.S.C. 3703(9). The FTTA further states that the term "'[m]ade' when used in conjunction with any invention means the conception *or* first actual reduction to practice of such invention." 15 U.S.C. 3703(10) (emphasis added). The FTTA thus indicates that Congress's use of the term "invention" does not necessarily connote an invention that has been reduced to practice. Indeed, the FTTA's definitions specifically provide—contrary to petitioner's thesis—that an inventor may make an "invention" without actually reducing it to practice.

The Patent Act Amendments of 1980, Pub. L. No. 96-517, 94 Stat. 3019, codified at 35 U.S.C. 201 *et seq.*, articulate the same understanding. The Amendments, which govern patent rights in inventions made with federal assistance, define the term "invenion" to mean "any invention or discovery which is or may be patentable or otherwise protectable under this title." 35 U.S.C. 201(d). The Amendments also state, in terms similar to those of the FTTA, that "the term 'made' when used in relation to any invention means the conception *or* first actual reduction to practice of such invention." 35 U.S.C. 201(g) (emphasis added). Like the FTTA, those definitions indicate—contrary to petitioner's argument—that an inventor may make an "invention" by conceiving it, without actually reducing it to practice.

The Federal Nonnuclear Energy Research and Development Act of 1974, 42 U.S.C. 5901 *et seq.*, reflects the same principle. That Act, which encourages the development of new energy technologies, states that "the term 'invention' means inventions or discoveries, whether patented or unpatented," and states that "the term 'made' when used in relation to any invention,

means the conception *or* first actual reduction to practice of such invention." 42 U.S.C. 5908(m)(3) and (4) (emphasis added). The National Aeronautics and Space Act of 1958, 42 U.S.C. 2451 *et seq.*, contains similar language. That Act provides that "the term 'made', when used in relation to any invention, means the conception *or* first actual reduction to practice of such invention." 42 U.S.C. 2457(j)(3) (emphasis added).

The foregoing statutes reflect Congress's consistent understanding that its use of the term "invention" does not necessarily refer to an invention that has been actually reduced to practice. To the contrary, each of those statutes—including Section 102(g) of the Patent Act itself—recognizes that an inventor may make an invention without reducing it to practice. If this Court were to accept petitioner's position, the Court would annul Congress's essential premise in each of those enactments.

D. Petitioner's Proposed Construction Is Inconsistent With Section 102's Usage Of The Term "Invention" And The Policies Underlying The On-Sale Bar

Petitioner's construction of the term "invention" is not only contrary to the terms of the Patent Act and other federal statutes, but it is also inconsistent with Section 102's general usage of that term and Section 102(b)'s specific policy objectives. There is no basis, accordingly, for petitioner to argue that the statutory "context otherwise indicates" (35 U.S.C. 100) that the term "invention" should have a specialized meaning when that term is used in relation to the on-sale bar.

Section 102 uses the term "invention" in contexts in which an invention might, but not always must, be actually reduced to practice. For example, an inven-

tion that is "in public use" (35 U.S.C. 102(a) and (b)) will normally exist in some form of physical embodiment—and therefore may be actually reduced to practice—by virtue of the fact that the invention cannot otherwise be "used." But Section 102 also uses the term "invention" in a number of other contexts in which it is clear that there is no need for the invention to be reduced to a physical form. For example, an invention need not be physically embodied to be "patented" (35 U.S.C. 102(b)), "described in a printed publication" (35 U.S.C. 102(a), (b) and (d)), "described in a patent" (35 U.S.C. 102(e)), "abandoned" (35 U.S.C. 102(c) and (g)), or "made" (35 U.S.C. 102(g)). See also pp. 14-15, *supra*. Furthermore, as this case demonstrates, an invention need not be physically embodied to be "on sale." 35 U.S.C. 102(b). Petitioner was able to conceive and design his invention of a socket for leadless chip carriers with sufficient particularity to make a commercial sale of his invention, without creating a physical embodiment prior to sale. Indeed, it can be expected that computer-assisted design and simulation technologies will increasingly allow inventors to conceive and test inventions without actually reducing them to practice in the traditional sense of a physically tangible embodiment.

Section 102(b)'s context does not require actual reduction to practice as a prerequisite for the on-sale bar. Furthermore, imposing that requirement would defeat Section 102(b)'s statutory objectives. "The foremost purpose of the on-sale bar is to 'prevent[] inventors from exploiting the commercial value of their inventions while deferring the beginning of the statutory term.'" Pet. App. 6a, quoting *Ferag AG*, 45 F.3d at 1566; accord *In re Mahurkar Double Lumen Hemodialysis Catheter Patent Litigation*, 71 F.3d 1573, 1577 (Fed. Cir. 1995); *Envirotech Corp.* v. *Westech Eng'g, Inc.*, 904 F.2d 1571, 1574 (Fed. Cir. 1990). As Judge Learned Hand stated, Congress has determined that an inventor should not be given free rein to "exploit his discovery competitively after it is ready for patenting" and "thereby extend the period of his monopoly." *Metallizing Eng'g Co.*, 153 F.2d at 520. Instead, the "public shall as soon as possible begin to enjoy the disclosure." *Ibid.*

Petitioner's construction of invention would defeat that fundamental objective. An inventor who has offered his invention for commercial sale has objectively manifested his judgment that the invention is complete. As the record in this case demonstrates, the courts are entitled to interpret an offer for commercial sale in that light:

> Even though a prototype of the invention had not been built prior to the TI sale, the district court found that [petitioner] was confident, based on his drawings, that this invention would work. [Petitioner] testified that it was his practice to produce his inventions without building any prototypes and that he had almost always been successful with this approach. Indeed, that [petitioner] expected his invention to work for its intended purpose is substantiated by the large sale to TI and the ordering of customized tooling.

Pet. App. 10a-11a. It is accordingly appropriate to require that an inventor who offers his invention for commercial sale must file his patent application within the time period that Congress has prescribed—a one-year grace period commencing with the offer. 35 U.S.C. 102(b). If the inventor were allowed to postpone the beginning of the grace period until the invention is actually "reduced to practice," he would have the unilateral right to extend his pat-

ent rights beyond the time period that Congress has allowed. See, *e.g.*, *UMC Electronics Co.*, 816 F.2d at 655 ("by invoking reduction to practice as developed in interference law, an inventor might be able to escape the on-sale bar simply through deft claim draftsmanship").

Petitioner does not seriously contest that his construction raises the risk that inventors would be able to extend the time period of their patent monopoly. See Pet. Br. 32-33. He suggests, instead, that "the Federal Circuit has overemphasized this perceived policy" against extending the duration of the monopoly. *Id.* at 33 n.39. That policy, however, is reflective of the Constitution's specification that patents should be temporally limited and is as venerable as the patent laws themselves. See *Bonito Boats, Inc.*, 489 U.S. at 148-149; *Pennock*, 27 U.S. (2 Pet.) at 23-24. Petitioner also raises a more substantial objection. He contends that the Federal Circuit's test "has made it virtually impossible for inventors to determine with any certainty (or confidence) the filing deadline that will allow them to partake of the full grace period." Pet. Br. 34. Petitioner's proposed test, however, suffers from that very flaw. Petitioner would require a factual inquiry into the date of "actual reduction to practice." That test would not provide inventors, the public, the PTO, or the courts with a clear rule in those cases (such as this one) in which the inventor claims that he had not reduced his invention to practice at the time he placed the invention on sale.

The concept of actual reduction to practice is simply too uncertain and manipulable to provide a specific date from which to measure the one-year grace period. It is generally understood that "[a]ctual reduction to practice occurs when the inventor (1) constructs a product or performs a process that is

within the scope of the patent claims, and (2) demonstrates the capacity of the inventive idea to achieve its intended purpose." 3 D. Chisum, *supra*, § 10.06, at 10-156 (footnotes omitted). See *Corona Cord Tire Co.*, 276 U.S. at 383. The application of that general test frequently requires a detailed factual inquiry into the specific characteristics of the invention and the specific actions that the inventor took in constructing or testing the physical embodiment of his conception. See, *e.g.*, *Scott* v. *Finney*, 34 F.3d 1058, 1061-1063 (Fed. Cir. 1994). The test is unlikely to produce an objective or readily ascertainable date from which to measure the one-year grace period.

By contrast, the construction that we urge provides the type of bright-line rule that petitioner argues is appropriate. As this case indicates, the date when the inventor first offers the invention for commercial sale is often readily ascertainable, typically by documentary evidence. See Pet. App. 4a, 121a; J.A. 60. Under our construction, the inventor will be on clear notice of the commencement date for the one-year period in which to file a patent application or to make non-obvious improvements that would constitute a new invention. That construction also provides a simple test for the public, the PTO, and the courts. In determining whether Section 102(b)'s on-sale bar applies, potential competitors, the PTO, and the courts need examine only whether "the sale or offer in question embodies the invention for which a patent is later sought." See *Seal-Flex, Inc.*, 98 F.3d at 1325 (Bryson, J., concurring in part and concurring in the result).

The examination of whether the offer or sale "embodies the invention" entails the familiar patent law inquiry into the factors of novelty and non-obviousness that would need to be made under any test.

As the court of appeals correctly noted, "[t]he on-sale bar is not limited to a sale of, or offer to sell, a product that anticipates the later patented invention. It also applies if 'the subject matter of the sale or offer to sell . . . would have rendered the claimed invention obvious by its addition to the prior art.'" Pet. App. 14a (quoting *UMC Electronics Co.*, 816 F.2d at 656). But our proposed test, unlike petitioner's, does not require an additional inquiry into the date of "actual reduction to practice," which would entail a potentially complex factual inquiry into when the inventor created a physical embodiment of the device and when the inventor actually demonstrated that the invention could achieve its intended purpose. See, *e.g.*, *Scott*, 34 F.3d at 1061-1063; *Hybritech Inc.* v. *Monoclonal Antibodies, Inc.*, 802 F.2d 1367, 1375-1377 (Fed. Cir. 1986), cert. denied, 480 U.S. 947 (1987); *Great Northern Corp.* v. *Davis Core & Pad Co.*, 782 F.2d 159, 165 (Fed. Cir. 1986). That potentially complex inquiry is appropriate in determining priority among competing inventors, but it does not provide a clear rule for purposes of applying the on-sale bar, "which is guided by entirely different policies." *UMC Electronics Co.*, 816 F.2d at 655. Nor would the relevant factual information be likely to be reasonably available to the public, in order to determine whether particular competitive activity would infringe a valid patent. See *In re Mahurkar Double Lumen Hemodialysis Catheter Patent Litig.*, 831 F. Supp. 1354, 1369 (N.D. Ill. 1993), aff'd, 71 F.3d 1573 (Fed. Cir. 1995).

E. Petitioner's Proposed Construction Is Not Supported By The Legislative History Of The Patent Act Or Definitive Judicial Precedent

Petitioner argues that his construction is supported by the "legislative history" of Section 102(b)

(Pet. Br. 16-22) and "a substantial body of judicial authority" (*id.* at 22-28). Neither source provides an adequate basis for this Court to diverge from the clear implications of the language, structure, and objectives of Section 102(b).

Petitioner suggests that the legislative history of Section 102(b) actually begins with this Court's 1829 decision in *Pennock* v. *Dialogue*, *supra*, which recognized an implicit "on-sale" bar in the Patent Act of 1793. The Court concluded that "the true construction of the act is, that the first inventor cannot acquire a good title to a patent; if he suffers the thing invented to go into public use, or to be publicly sold for use, before he makes application for a patent." 27 U.S. (2 Pet.) at 23-24.

Congress later adopted an explicit on-sale bar in the Patent Act of 1836 that, like *Pennock*, rendered an invention unpatentable if the inventor placed the invention on sale before applying for a patent. Patent Act of 1836, ch. 357, § 6, 5 Stat. 117. Congress thereafter revised that provision to afford the inventor two years from the time of any sale of the invention to apply for a patent. Patent Act of 1839, ch. 88, § 7, 5 Stat. 354. See also Patent Act of 1870, ch. 230, § 24, 16 Stat. 201. None of those enactments indicated that the on-sale bar applied only to "inventions" that had been "reduced to practice."

Petitioner's only evidence that the Congresses of that era envisioned that the on-sale bar would require an "actual reduction to practice" arises from this Court's decision in *Andrews* v. *Hovey*, *supra*, which presented the question whether prior use and sale of an invention by persons other than the inventor, without the use or consent of the inventor, would bar the inventor's patent. See 123 U.S. at 268. The Court held that when such use or sale occurs more than two

years before the inventor's application, it "is fatal to the validity of the patent." *Ibid.* In reaching that result, the Court stated:

> The evident purpose of [Section 7 of the 1839 Act] was to fix a period of limitation which should be certain, and require only a calculation of time, and should not depend upon the uncertain question of whether the applicant had consented to or allowed the sale or use. Its object was to require the inventor to see to it that he filed his application within two years from the completion of his invention, so as to cut off all question of the defeat of his patent by a use or sale of it by others more than two years prior to his application, and thus leave open only the question of priority of invention.

Id. at 274. Petitioner interprets that passage as "adopting *completion* of an invention as an absolute prerequisite to starting the two year grace period." Pet. Br. 19. Petitioner, however, reads far too much into the Court's observations.

The first sentence of the passage quoted from *Andrews* states the Court's understanding that Section 7 sought "to fix a period of limitation" for the on-sale bar "that should be certain." That would be the case only if (as Section 7 states) the grace period ran from the date of *sale*. See 5 Stat. 354. The second sentence addressed the situation before the Court, in which a person *other than the inventor* used the invention or sold it to others more than two years before the inventor applied for a patent. The Court's statement that the "object" of the statute "was to require the inventor to see to it that he filed his application within two years from the completion of his invention" was simply a general observation about the

practical consequences of Congress's statutory scheme. The Court appeared to recognize that an inventor who applied for a patent within two years of the invention's "completion"—in the sense that the invention was ready for commercial sale or patenting—could avoid "the defeat of his patent by a use or sale of it by others more than two years prior to his application, and thus leave open only the question of priority of invention." 123 U.S. at 274. See *id.* at 270 (citing then-Judge Blatchford's opinion in *Egbert* v. *Lippman*, 15 Blatchf. 295, 297-298 (1878)). The Court did not hold that "completion" of the invention—in the sense of actual reduction to practice—itself provided the test for commencing the grace period. Such a holding would have contradicted the 1839 Act's specific terms, which stated that a patent is invalid if a "purchase, sale, or prior use has been for more than two years prior to such application for a patent." See *id.* at 272 (reciting the statutory language). And, of course, the distinction petitioner seeks to read into the passage was not a matter at issue in the case.

Petitioner next relies (Pet. Br. 20-21) on the legislative history of the Patent Act of 1939, which reduced the grace period from two years to one year. Ch. 450, § 1, 53 Stat. 1212. The House Report accompanying that legislation noted that the previous law "permits an inventor, after his invention is fully completed, to make the invention known to the public for a period of 2 years before the filing of the application for a patent." H.R. Rep. No. 961, 76th Cong., 1st Sess. 1 (1939). Petitioner provides no reason to believe that the House Committee (much less the full Congress) equated "full complet[ion]" with "reduction to practice." The Committee could have just as easily understood that an inventor has "fully completed" his invention when the invention is ready for commercial

sale or when the "'invention is in such a condition that he can apply for a patent for it.'" See *Andrews*, 123 U.S. at 270 (quoting *Egbert* v. *Lippman*, 15 Blatchf. 295, 297 (1878)).

Just as petitioner's recitation of legislative history does not provide a persuasive basis for holding that the term "invention," as used in Section 102(b), connotes a "reduction to practice," petitioner's recitation of judicial precedent is also unconvincing. As an initial matter, this Court has not addressed the question of the relationship between the on-sale bar and the concept of reduction to practice. The Court's past discussions of "reduction to practice" have arisen in the context of disputes among competing inventors that have not involved the meaning of the on-sale bar. See, *e.g.*, *Corona Cord Tire Co.*, 276 U.S. at 383; *T. H. Symington Co.*, *supra*; *Clark Thread Co.* v. *Willimantic Linen Co.*, 140 U.S. 481 (1891); *Seymour* v. *Osborne*, 78 U.S. (11 Wall.) 516 (1870). Furthermore, the Court has itself used the term "invention" in ways that indicate that the term does not necessarily embody the concept of reduction to practice. See 78 U.S. at 552 ("Original and first inventors are entitled to the benefit of their inventions if they reduce the same to practice.").

While this Court has not addressed the issue, the lower courts have historically been in disarray on the question. The Federal Circuit canvassed a number of the leading cases in *UMC Electronics Co.*, 816 F.2d at 653-657, and concluded as follows:

> Some courts have rejected any rigid rules for the operation of the statutory bar, focusing, as much of our precedent does, on the policies of the statute. * * * The regional circuits that have considered the question have given lip service to a

> requirement of reduction to practice as part of the on-sale bar. However, when faced with a specific factual situation which appeared to fall within the intent of the statutory bar but did not technically satisfy the requirements for reduction to practice, these courts have stepped back from a rigid application of that requirement.

Id. at 654-655 (footnote omitted). Contrary to petitioner's suggestions (Pet. Br. 23-24), the case law was not consistent prior to the Federal Circuit's decision in *UMC Electronics Co.*, and inventors had no basis for believing that the law was settled. Furthermore, even if the decisions of the courts of appeals demonstrated greater uniformity in support of petitioner's position, that circumstance would not control this Court's conclusion respecting the meaning of Section 102(b). See, *e.g.*, *Brogan* v. *United States*, 118 S. Ct. 805, 811 (1998).

F. The Court Should Adopt A Clear Standard For Applying Section 102(b)'s On-Sale Bar To Commercial Sales

Since its decision in *UMC Electronics Co.*, *supra*, the Federal Circuit has consistently rejected the notion that Section 102(b)'s on-sale bar applies only if the invention offered for commercial sale had been reduced to practice. See Pet. App. 8a; *Micro Chem., Inc.* v. *Great Plains Chem. Co.*, 103 F.3d 1538, 1544-1545 (Fed. Cir.), cert. denied, 117 S. Ct. 2516 (1997); *Petrolite Corp.* v. *Baker Hughes, Inc.*, 96 F.3d 1423, 1427 (Fed. Cir. 1996); *Ferag AG*, 45 F.3d at 1566-1568. In applying the on-sale bar, the court has typically inquired whether the invention in question was "substantially complete," in the sense that there was reason to expect that it would work, at the time of the sale or offer for sale. See Pet. App. 9a, 13a. The court

has also stated that "'[a]ll of the circumstances surrounding the sale or offer to sell, including the stage of development of the invention and the nature of the invention, must be considered and weighed against the policies underlying section 102(b).'" *Id.* at 6a, quoting *Micro Chem., Inc.*, 103 F.3d at 1544, and *UMC Electronics Co.*, 816 F.2d at 656.

It may be the case that, where the parties dispute whether an invention has been offered for sale for "experimental" rather than for commercial purposes, see, *e.g.*, *Seal-Flex, Inc.*, 98 F.3d at 1321, a court may need to evaluate the "circumstances surrounding the sale or offer to sell," Pet. App. 6a. But in cases such as this one, where it is undisputed that the sale of the invention was for a commercial application, the pertinent inquiry, we believe, is more straightforward and direct. Section 102(b)'s on-sale bar can be effectively implemented in accordance with congressional intent by examining whether the offer to sell or sale "embodies the invention for which a patent is later sought." *Seal-Flex, Inc.* 98 F.3d at 1325 (Bryson, J., concurring in part and concurring in the result). This approach provides clear guidance: If an inventor offers to sell or sells an invention for commercial purposes, and the inventor fails to file an application for a patent within one year of the offer or the sale date, then the invention is not patentable unless the inventor can show that the claimed invention contains new features that would not have been obvious in light of the invention offered or sold. That test satisfies the language and objectives of Section 102(b) and provides a workable rule for inventors, competitors, the PTO, and the courts.

CONCLUSION

The judgment of the court of appeals should be affirmed.

Respectfully submitted.

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JUNE 1998